



## QUESTIONS AND ANSWERS

### **The State Endowment Trust Lease with 10 Barrel Bar and Restaurant**

*Updated August 1, 2012*

#### **Will the State of Idaho operate a bar and restaurant?**

No. The Endowment Trust owns a building located at 830 Bannock Street in downtown Boise, and the Idaho Department of Lands (IDL) is only leasing the building for the Endowment Trust. The lessee is a bar and restaurant owner who felt the building's location would be ideal for the owner's business needs.

#### **How long is the lease?**

The lease will be issued for a 15-year term with three options to extend the lease for additional terms of five years each.

#### **What provisions are in place to protect the Endowment if the tenant is not able to fulfill its contractual obligations?**

The signed lease agreement includes many provisions, including the requirement that 10 Barrel must secure any and all necessary permits and licenses as part of the contract. The tenant would be in violation of the lease agreement if this part of the contract was not upheld. Additionally, the IDL has retained a \$50,000 security deposit to be held for the full and faithful performance by the lessee.

## **TENANT IMPROVEMENTS**

#### **Is IDL paying for tenant improvements that will give the restaurant owner a competitive advantage over owners of similar businesses? Shouldn't the tenant have to pay for improvements him or herself?**

No. It is not uncommon for landlords, including IDL, to negotiate items such as tenant improvements with prospective tenants. The cost of tenant improvements is shared by the owner (the Endowment) and the tenant (10 Barrel).

**The Endowment is paying for certain structural improvements that would be necessary for ANY tenant to occupy the building. Provisions in the lease ensure that funds are used for improvements to the building infrastructure and finishes only.**

As per the lease agreement, the Endowment will pay a certain amount for tenant improvements, and beyond that amount the tenant is responsible for any and all additional costs for improvements. The Endowment contribution to the tenant improvements is based on industry standards. The final percentage of the Endowment's share of the costs is not yet available because the project is not completed, but the Idaho Department of Lands expects the final percentage of the Endowment's share of tenant improvements to be **far less** than half of the overall project costs.

Tax dollars are not used to pay for the Endowment's share of the costs - it is an investment in the asset by the Endowment for the Endowment, and will enhance the asset to generate higher long-term financial returns to the Endowment, consistent with the Constitutional mandate under which the Land Board and the Idaho Department of Lands operate.

**Again, regardless of who secured the lease for the building, the Endowment would have had to make investments in the property in order for it to be occupied.**

### **Did IDL conduct a competitive process for the lease on this property?**

Yes. The property was publicly advertised in the open, competitive marketplace by a third party broker for 18 months. If more than one party had been interested in leasing the property, then IDL could have conducted an auction to determine the highest financial return to the Endowment.

### **TAXES**

#### **Will the restaurant owner pay the same taxes other business owners have to pay?**

Yes. The business owner will pay sales tax, personal property tax, and any permit and license fees just like any other business owner.

### **REVENUE**

#### **Where does the revenue from this lease go?**

This property is owned by the Normal Schools, an endowment beneficiary comprised of Idaho State University in Pocatello and Lewis Clark State College in Lewiston, and State Hospital South in Blackfoot. The Normal Schools endowment will receive 75 percent of the revenues and the State Hospital South endowment will receive the remaining 25 percent.

#### **How much money will the lease make for the beneficiaries?**

The annual lease rent will begin at \$142,000 and increase each year. Over the term of the lease, the estimated Return on Asset (ROA) will increase from 8.5 percent to 13.5 percent and gross rent will be \$2.6 million.

### ***About the Idaho Department of Lands***

*Under the direction of the [Idaho State Board of Land Commissioners](#), the Idaho Department of Lands manages more than 2.5 million acres of [state endowment trust land](#) under a constitutional mandate to produce maximum long-term financial returns for public schools and other beneficiary institutions. Leases and other contracts are used to authorize revenue generating activities such as timber harvest, grazing, farming, mining, commercial use, residential use and conservation in a prudent and sustainable manner.*

*Managing endowment trust lands is only part of our story. We also protect public resources such as water, fish, wildlife, and recreation on [public trust lands](#) and ensure protection of water quality and other resources by overseeing forest and mining practices across all ownerships in the state. One of our most important resource protection responsibilities is fire prevention and suppression. We also provide assistance to landowners to manage their forestlands and to remediate abandoned mined lands.*